

Resource rent tax

— What can be changed

FISH POOL /NASDAQ Christmas seminar

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Significant tax increase for the industry

The production fee:

- ✓ The farming companies must pay 0,405 NOK per kg of fish they produce. In the state budget for 2023, the government proposes to increase the production tax. (Proceeds from NOK 500 million to NOK 750 million) This corresponds to an increase from 0,405 NOK to 0,56 NOK per kg.

New rules for valuing breeding permits at auction price:

- ✓ Decided, fall 2021, according to the state budget 2022. The proposed valuation punishes privately owned companies, harshly, crudely and brutally.
- ✓ The asset value for a small company with 4 permits increases by NOK 847 million. = NOK 9.3 million in increased wealth tax

Resource rent tax:

- ✓ Presented by the government on 28 September that year. The proposal involves a tax increase for the aquaculture industry of NOK 3.65 - 3.8 billion. This means a tax increase from the current 22% to 62%.



Reduced competitiveness

- KPMG has prepared the report "Taxation of Aquaculture 2022 - A country overview" which describes and compares the taxation of aquaculture in 15 countries, including Norway.
- The report shows that income from aquaculture is generally paying corporation tax, with tax rates varying from 12.5% to 31%
- The average corporation tax rate for the countries in the report is approximately 21.8-22.7%.
- None of the countries in the report have introduced resource rent tax for aquaculture.
- Compared to competitor countries, Norwegian taxation, including resource rent tax, will be significantly higher, and Norwegian competitiveness will be greatly weakened.



NASDAQ-price (Normprice)

-Not suitable for determining the income side

- ✓ The tax proposal seems to represent a lack of understanding of the industry's dynamics and operation.
- ✓ The income side of the tax base must be determined by a norm price, which is not at all representative of the actual income in the industry by using the NASDAQ price as a basis.
- ✓ Many markets are not included in the NASDAQ price. The USA, Japan, or other markets in Asia are examples of such markets.



NASDAQ-price (Normprice)

-Not suitable for determining the income side

- ✓ The NASDAQ price only contains one product quality, and there is a limited number of exporters included in the reporting.
- ✓ The proposal as it stands can help to fundamentally **change the market dynamics for Norwegian salmon**, and dramatically influence both value creation and the number of jobs in the industry.
- ✓ Makes it difficult for the companies to enter into contracts for Norwegian volumes
- ✓ Leads to significant tax risk - Who wants to sell at NOK 60/kg and be taxed at NOK 85/kg?
- ✓ If you are to be able to deliver stable volumes from Norway to both the retail and processing industries in Europe, you are dependent on being able to enter into fixed price contracts for salmon.



Resource rent tax in aquaculture

-Gross breach of duty to inquiry

- Much has been said about the norm price:
 - NOU 2019:18 Taxation of aquaculture activities - discussed in over 7 pages
 - Consultation note on resource rent tax - discussed in 3 pages
- However, the investigations do not contain a word about:
 - Influence of the contract market
 - Impact of investments
 - Influence of effective tax rate
 - Impact on the entire value chain (Prodfisk - the processing industry in Norway).
- A proposal with an inquiry that clearly contradicts the investigation instructions must be withdrawn and returned to the Ministry of Finance - IMMEDIATELY.



Consequences

- Investments for approximately NOK 35 billion is now put on hold or cancelled
- The contract market is practically dead.
- Many of our businesses report back that good customers are now targeting other countries. (Scotland and Chile)
- A dead contract market is the most severe:
 - It affects the entire value chain
 - We will lose market position – it may take a long time to win it back.



What does the government say

-After the meeting on Friday 18th of November

The Minister of Finance is crystal clear on the following:

- The resource rent tax will be introduced from 1 January 2023.
- The tax rate of 40% is decided.
- The producers are to be taxed based on actual income
- If you sell on contract, the contract price must apply



What does the government say

-After the meeting on Friday 18th of November

The Minister of Finance is crystal clear on the following:

- The norm price is to be used, and it is based on the NASDAQ price
- A norm price council is to be established
- The norm price council must prevent companies from selling cheaply to themselves internally to reduce taxation.
- But, what they really mean is not easy to discern



What is our position?

- Use the power of partner collaboration
- We have said that the industry is willing to pay more - We must find solutions
- We are working with alternative models - but also changes to the resource rent tax.

- The most important thing for us is:
 - A tax system that does not destroy the market mechanism for Norwegian salmon
 - A tax system that maintains competitiveness
 - A tax system that maintains diversity - contributes to growth - and more jobs



Norwegian aquaculture industry BORN FREE – TAXED TO DEATH?

Thank you for your attention



SJØMATBEDRIFTENE